

Message Text

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PAGE 01 ROME 02340 01 OF 02 112011Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02 OPIC-03
CIEP-01 LAB-04 SIL-01 OMB-01 CEA-01 STR-04 /091 W
-----112032Z 012841 /45

R 111720Z FEB 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC 2743
INFO AMCONSUL MILAN
AMCONSUL FLORENCE
AMCONSUL NAPLES

C O N F I D E N T I A L SECTION 1 OF 2 ROME 2340

E.O. 11652: GDS
TAGS: PINT, IT
SUBJECT: ITALIAN INTERNAL DEVELOPMENTS--THE FALL-OUT FROM THE
GOVERNMENT'S ECONOMIC PLANE

SUMMARY. POLITICAL ACTIVITY DURING THE PAST WEEK HAS BEEN
CENTERED UPON THE GOVERNMENT'S ECONOMIC PLAN ANNOUNCED
FEB 4. MOST POLITICAL FORCES HAVE EXPRESSED CRITICISM OF
THE PROGRAM AND POINT TO THE NEED FOR AMENDMENTS WHEN
THE DECREE LAWS ARE PRESENTED TO PARLIAMENT FOR CONSIDERATION.
THE POSITION OF THE COMMUNITS (PCI) HAS SEEMED TO TOUGHEN.
AFTER SOME INITIAL CRITICISM OF CERTAIN ASPECTS OF THE
PROGRAM, THE CHRISTIAN DEMOCRATS (DC) HAVE GENERALLY RALLIED
AROUND THE GOVERNMENT. PRIME MINISTER ANDREOTTI HAS INDI-
CATED THAT HIS GOVERNMENT WOULD BE WILLING TO LISTEN TO
OTHER PARTIES' PROPOSALS TO THE GOVERNMENT'S DECREES. WHILE
AIR OF UNCERTAINTY EXISTS AND POLITICAL POLEMICS AND TENSION
ARE RISING, THE ABSENCE OF A VISIBLE ALTERNATIVE TO THE
ANDREOTTI GOVERNMENT AND THE NEED TO HAVE A GOVERNMENT
IN PLACE WHILE IMF NEGOTIATIONS CONTINUE, SHOULD
SERVE TO KEEP THE SITUATION UNDER CONTROL IN THE NEAR
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PAGE 02 ROME 02340 01 OF 02 112011Z

FUTURE. END SUMMARY.

1. MOST POLITICAL ACTIVITY DURING THE LAST WEEK HAS
BEEN CONCENTRATED ON THE POLEMICS ARISING OUT OF
THE FEBRUARY 4 ANNOUNCEMENT OF THE GOVERNMENT'S LATEST
ECONOMIC PACKAGE. CRITICISM OF THE ANDREOTTI GOVERN-
MENT'S PROGRAM IS LARGELY CENTERED AROUND THE DECISIONS

TO EXCLUDE THE VALUE ADDED TAX (IVA) INCREASES FROM THE CALCULATIONS INVOLVED IN ADJUSTING THE SCALA MOBILE AND TO INCREASE THE IVA ON CERTAIN CATEGORIES OF GOODS, THE PARTIES WHOSE ABSTENTIONS IN THE PARLIAMENT PERMIT THE CONTINUED EXISTENCE OF THE ANDREOTTI GOVERNMENT ALSO ARGUE THAT CERTAIN OF THE MEASURES TAKEN WERE NOT DISCUSSED AMONG THE PARTIES DURING THE MEETING OF PARLIAMENTARY GROUP LEADERS ON FEBRUARY 3.

2. IN THE FOREFRONT OF THOSE ENGAGING IN POLEMICS WITH THE GOVERNMENT IS REPUBLICAN PARTY (PRI) PRESIDENT LA MALFA WHO THINKS THE GOVERNMENT DID NOT GO FAR ENOUGH IN RESTRICTING THE SCALA MOBILE. WHILE LA MALFA EARLIER TALKED OF A "DISENGAGEMENT" OF THE PRI FROM THE CURRENT PARLIAMENTARY ARRANGEMENT, HE HAS SAID HE WOULD SUPPORT THE GOVERNMENT'S MEASURES EVEN THOUGH THEY ARE INADEQUATE. ON THE OTHER HAND, HE IS CALLING FOR A MEETING OF ALL THE PARTIES OF THE CONSTITUTIONAL ARC FOR THE PURPOSE OF DRAWING UP A TRULY EFFECTIVE ECONOMIC PLAN. HE HAS ALSO WARNED THE DC NOT TO ENTERTAIN THOUGHTS OF EARLY NATIONAL ELECTIONS.

3. THE SOCIALISTS HAVE OBJECTED PARTICULARLY TO THE "STERILIZATION" OF THE SCALA MOBILE. PARTY VICE SECRETARY SIGNORILE CALLED FOR DEVELOPMENT OF AN ALTERNATE PROGRAM, SAYING THAT THE GOVERNMENT'S PLAN, AS IT NOW STANDS, WILL NOT PASS. MEANWHILE, PSI VICE SECRETARY MANCA HAS CALLED FOR A SERIES OF BILATERAL MEETINGS BETWEEN THE PSI AND THE OTHER

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PAGE 03 ROME 02340 01 OF 02 112011Z

PARTIES BEGINNING WITH THE DC. SOME OBSERVERS HAVE INTERPRETED MANCA'S PROPOSAL AS A SIGN THAT THE PSI IS GIVING SOME CONSIDERATION TO THE FORMATION OF A DC-PSI GOVERNMENT (WITH OUTSIDE SUPPORT FROM OTHER PARTIES), A HYPOTHESIS WHICH THE PSI HAS BEEN QUICK TO REJECT.

4. AFTER SOME RUMBLINGS ABOUT THE INADEQUACIES OF THE ANDREOTTI GOVERNMENT'S PROPOSALS, THE DC SEEMS TO HAVE RALLIED ITS TROOPS AROUND THE CURRENT GOVERNMENT. THE DC HAS BEEN RESISTING CALLS FOR A FURTHER ROUND OF INTER-PARTY CONSULTATIONS OUTSIDE THE PARLIAMENTARY CONTEXT. MEANWHILE ANDREOTTI HIMSELF STATED THAT THE GOVERNMENT WOULD BE WILLING TO LISTEN TO SUGGESTED AMENDMENTS TO THE CURRENT PROGRAM. IN AN INTERVIEW AT MID-WEEK, PARTY SECRETARY ZACCAGNINI CAUTIONED THE OTHER PARTIES NOT TO PUSH THE GOVERNMENT TOO HARD OVER ITS ECONOMIC PROGRAM. HE ADDED THAT THE APPARENT LACK OF A VIABLE ALTERNATIVE TO THE

PRESENT GOVERNMENT SHOULD LEAD EVERYONE TO PROCEED PRUDENTLY SO AS NOT TO CAUSE ITS DOWNFALL AND TO CREATE THE POSSIBILITY OF EARLY ELECTIONS. TO RISING CRITICISM THAT ZACCAGNINI WAS REFLECTING A DC PREDILECTION TO GO TO EARLY ELECTIONS, DC SPOKESMEN STATED THAT THIS CHARGE IS NOT ACCURATE.

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PAGE 01 ROME 02340 02 OF 02 112017Z
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C O N F I D E N T I A L SECTION 2 OF 2 ROME 2340

5. THE POSITION OF THE PCI SEEMS TO HAVE HARDENED DURING THE WEEK. DURING A TELEVISION INTERVIEW FEBRUARY 10, PARTY SECRETARY BERLINGUER FLATLY STATED THAT THE GOVERNMENT'S PROGRAMS WILL NOT PASS THE PARLIAMENT AS CURRENTLY FORMULATED. HE STATED THAT THE PCI DOES NOT NOW PLAY A DIRECT ROLE IN THE GOVERNING OF THE COUNTRY, AND WARNED THAT THIS SITUATION COULD NOT LONG CONTINUE, IN RESOLVING THE COUNTRY'S

ECONOMIC CRISIS, INCLUDING THE FORMULATION OF AN ECONOMIC PACKAGE AT THIS JUNCTURE, HE ARGUED THAT THE PCI'S VIEWS AND WEIGHT CANNOT BE NEGLECTED. (IN COMMENTS ON THE PARTY'S VIEWS ON THE INTERNATIONAL COMMUNIST MOVEMENT, BERLINGUER CALLED THE SOVIET OCTOBER REVOLUTION "THE MOST DECISIVE EVENT" OF THIS CENTURY SINCE IT LED TO THE CREATION OF THE FIRST SOCIALIST SOCIETY. IN RESPONSE TO A QUESTION, BERLINGUER SAID HE DID NOT SHARE THE VIEW OF SPANISH PARTY LEADER CARILLO THAT THE SOVIET UNION IS A SOCIETY IN WHICH THERE IS A DICTATORSHIP OF ONE GROUP

IN THE COUNTRY OVER THE ENTIRE SOCIETY. FINALLY, HE SAID
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PAGE 02 ROME 02340 02 OF 02 112017Z

TTHAT THE PCI DEVELOPS ITS OWN POSITION BUT NOT TO THE
POINT OF BREAKING WITH THE OTHER COMMUNIST PARTIES.)

6. COMMENT. WHILE THE CONTINUING POLEMICS THEMSELVES
CREATE AN AIR OF UNCERTAINTY, WE DO NOT THINK THAT A
GOVERNMENT CRISIS IS IMMINENT. ALTHOUGH NO ONE IS
WILLING TO PREDICT HOW LONG ANDREOTTI WILL BE AROUND,
THE ABSENCE OF A VISIBLE, VIABLE ALTERNATIVE TO HIS
GOVERNMENT AT THIS JUNCTURE AT LEAST GIVES THOSE WHO
MIGHT BE TEMPTED TO PULL THE PLUB PAUSE FOR THOUGHT.
ANDREOTTI HIMSELF HAS DEFUSED SOME OF THE PRESENT
POLEMICS BY ACCEPTING THE FACT THAT THE NATURE OF
HIS GOVERNMENT OBLIGES HIM TO LISTEN TO PROPOSALS
FROM OTHER PARTIES FOR ALTERING THE PRESENT
PACKAGE DURING THE PARLIAMENTARY DEBATE. PERHAPS THE
MOST OMINOUS CLOUD OF ALL AT THE PRESENT MOMENT, IS
THE HARDENING LINE OF THE PCI.
WE SUSPECT THAT IT IS CONNECTED WITH INTERNAL PARTY
PROBLEMS OVER TACTICS, GIVEN DISCONTENT IN CERTAIN
SEGMENTS OF THE BASE, AND IT IS ALSO PROBABLY DESIGNED
TO PUT SUFFICIENT PRESSURE ON THE OTHER PARTIES TO
ENSURE THAT BY SUMMER THE PARTY WILL HAVE MOVED ONE
STEP CLOSER TO FORMAL PARTICIPATION IN GOVERNMENT
BY MOVING INTO HE GOVERNING MAJORITY.BEAUDRY

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